

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 OIC-02 L-03 FRB-03 OMB-01

TAR-01 SP-02 AGR-05 AID-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SIL-01 STR-04 TRSE-00 CIEP-01 CEA-01

INT-05 AF-06 ARA-06 EA-06 NEA-10 /103 W

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FM USMISSION GENEVA

TO SECSTATE WASHDC 0000

INFO AMEMBASSY LONDON

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: EMIN, UNCTAD

SUBJECT: TIN CONFERENCE: SUPPLEMENTAL BUFFER STOCK FINANCING

1. TIN CONFERENCE SECRETARIAT HAS CIRCULATED TEXT OF LETTER DATED MAY 16 FROM BURKE KNAPP (VP OF IBRD) TO HAROLD ALLEN (EXEC CHAIRMAN OF ITC) CONCERNING A PROPOSAL UNDER CONSIDERATION BY IBRD FOR A LOAN TO ITC TO PROVIDE ADDITIONAL FUNDS FOR BUFFER STOCK OPERATIONS UNDER FOURTH TIN AGREEMENT.

2. LETTER STATES THAT LOAN SHOULD SERVE TO REDUCE FINANCIAL BURDEN ON DEVELOPING PRODUCING COUNTRIES, BUT WOULD BE MADE TO ITC RATHER THAN MEMBER COUNTRIES. IT THEN STIPULATES THAT QUOTE "IN THIS CASE, WE WOULD STILL REGARD THE LOAN AS DIVIDED CONCEPTUALLY INTO PORTIONS ATTRIBUTABLE TO THE VARIOUS ELIGIBLE COUNTRIES THAT DESIRED TO PARTICIPATE IN THE ARRANGEMENT. THESE COUNTRIES WOULD BE EXPECTED TO SHARE PROPORTIONATELY IN THE NECESSARY GUARANTEES OF THE LOAN, AND THEIR PROVISION OF THESE GUARANTEES WOULD SERVE TO REDUCE CORRESPONDINGLY THEIR OBLIGATION TO MAKE A DIRECT CONTRIBUTION TOWARD FINANCING THE TIN

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BUFFER STOCK. END QUOTE.

3. EFFECT OF SUCH ARRANGEMENT WOULD BE THAT LDC PRODUCERS WOULD BE RELIEVED OF OBLIGATION TO MAKE DIRECT CONTRIBUTION TO BUFFER STOCK TO THE EXTENT OF THEIR SHARE IN GUARANTEEING IBRD LOAN, WITH GOOD EXPECTATION OF NEVER HAVING TO MAKE GOOD ON GUARANTEE SINCE FIRST RECOURSE WOULD BE TO ITC TIN STOCKS OR CASH EQUIVALENT. BUFFER STOCK WOULD BE AUGMENTED ONLY TO EXTENT THAT QUOTE ELIGIBLE COUNTRIES WOULD NOT OTHERWISE BE ABLE TO MEET COMMITMENT UNDER TIN AGREEMENT FOR CONTRIBUTION. UNQUOTE. THIS SEEMS TO DUPLICATE EXISTING IMF BUFFER STOCK FACILITY.

4. LETTER ALSO STATES QUOTE WE HOPE THAT AN EVENTUAL LOAN FROM THE BANK MIGHT HELP TO ATTRACT FUNDS FROM OTHER NATIONAL OR INTERNATIONAL SOURCES; IN PARTICULAR WE WOULD HOPE AND EXPECT THAT AN IMPORTANT SHARE OF THE FINANCING OF THE TIN BUFFER STOCK WOULD COME FROM THE CONSUMING MEMBERS OF THE INTERNATIONAL TIN COUNCIL. END QUOTE.
DALE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, TIN, LESS DEVELOPED COUNTRIES, MEETINGS, DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975GENEVA04021
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750188-0450
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750510/aaaaaiqm.tel
Line Count: 81
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 21 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 MAY 2003 by CunninFX>; APPROVED <22 MAY 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TIN CONFERENCE: SUPPLEMENTAL BUFFER STOCK FINANCING
TAGS: EMIN, UNCTAD, ITC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006